



## Winsome Resources Limited (WR1.ASX)

*Low capex to accelerate path to production*

### Event:

- **Scoping study review; Price-target change.**

### Investment Highlights:

- **Highly attractive capex.** The Adina scoping study reveals a standout low capex of just US\$259M (FSBe: US\$270M) for a 1.7Mtpa operation (including contingency and tax credits), leveraging the existing Renard infrastructure. This implies a low start-up capex production intensity of US\$152/t—well below the peers' average of ~US\$250/t—and boasts an impressive NPV/capex ratio of 2.9x. This study will support the ongoing offtake agreement discussions.
- **Low strip ratio of 5.3x with the first three years at only 1.0x** driving low initial opex, as WR1 targets the shallow Main Zone first. C1 cash cost of US\$615/t FOB with AISC of US\$716/t over LOM (FSBe: US\$586/t) put Adina in the middle of the cost curve. Key deviations from our estimates are elevated sustaining capital for the plant and greater drilling to upgrade the capacity of certain ditch segments.
- **Commissioning targeted for 2028.** Open-pit operation aims for 256ktpa (5.5% SC) over 21 years, with the first nine years averaging >300ktpa. With a strong post-tax NPV<sub>8</sub> of US\$740M and a 43% IRR, Adina will generate a robust LOM free cash flow of US\$1.8b, with only 1.8-year payback. Average lithium price of US\$1,500/t SC6 used in the study is in line with consensus' long-term forecasts.
- **Stronger metrics at the initial years of mine.** Most metrics across the first 17 years of mine, especially in Phase 1, are superior to LOM, including production, recovery and operating costs. This is due to targeting the higher-grade Main Zone at surface, reducing the strip ratio up to only 1.0x and lowering the costs.
- **Further optimisation opportunities.** WR1 identified opportunities to improve Adina's economics: 1) Resource expansion and incorporating Inferred Resource to extend LOM; 2) underground mining to reduce stripping; 3) increasing throughput up to 2.5Mtpa; 4) contractor mining to reduce costs; 5) brownfield expansion at Renard; 6) clean energy options diesel; and 7) future rail use.
- **Downgrade to spodumene forecasts.** We downgrade our forecast SC6 long-term price by 5% to US\$1,502/t from US\$1,585/t.
- **RIO bid for LTM puts focus on Tier 1 lithium.** Rio Tinto's recent US\$6.7b bid for Arcadium Lithium signals we are at the bottom of the cycle for the sector and highlights the value in companies with Tier 1 assets. We believe, WR1, with its world-class, long-life asset, is likely to attract attention from potential acquirers.

### Earnings and Valuation:

- **Risked valuation (0.6x NPV<sub>10</sub> nominal) decreases to \$1.81** from \$2.48 mainly due to dilution from the recent fundraising, higher operating costs, lower throughput and lower spodumene prices. This has been offset partially by lower pre-production capex of the project, and reducing our risk factor of Adina as a result of the scoping study. WR1 had ~\$37M cash end-September.

### Recommendation:

- **We maintain our Buy and lower our 12-month price-target to \$1.81** from \$2.48, based on risked valuation. Catalysts include: 1) update on the grant submission; 2) trade-off study 4Q 2024; 3) Resource upgrade 1H 2025; 4) DFS 2H 2025; 5) offtakes and financing and 6) improving lithium markets.

### Disclosures

Foster Stockbroking, staff, and Cranport own <1% of WR1's shares on issue.

Foster Stockbroking received fees from being: participant in the \$34M flow-through placement at \$2.38 in October 2023 and Co-Manager to the \$25M flow-through placement at \$1.00 in June 2024.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 1.81
Previous	\$2.48
Share price (A\$)	\$0.54
ASX code	WR1
52 week low-high	\$0.42-1.49
Valuation - risked (A\$/share)	\$ 1.81
Methodology	NPV10
Capital structure	
Shares on Issue (M)	221
Market cap (A\$M)	120
Estimated current net cash (debt) (A\$M)	37
Diluted EV (A\$M)	83
Ave daily volume ('000)	1,425
Substantial shareholders	%
Waratah Capital Advisors	11.8%
Board	
Stephen Biggins	Non-Executive Chairman
Chris Evans	Managing Director
Dr Qingtao Zeng	Non-Executive Director
Justin Boylson	Non-Executive Director
Share price graph	



Analyst: Hazmy Hazin

+612 9993 8130

[hazmy.hazin@fostock.com.au](mailto:hazmy.hazin@fostock.com.au)